September 05, 2024

Invenire Petrodyne Limited (erstwhile Tata Petrodyne Limited): Ratings reaffirmed; Rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term / short term-unallocated	56.46	2.30	[ICRA]A-(Stable)/[ICRA]A2+; reaffirmed
Long term-term loan-fund based	27.54	9.70	[ICRA]A- (Stable); reaffirmed
Long term-cash credit-fund based	15.00	16.00	[ICRA]A- (Stable); reaffirmed
Long term-bank guarantee-non fund based	0.00	216.90	[ICRA]A- (Stable); Assigned
Short term-overdraft-fund based	1.00	0.10	[ICRA]A2+; reaffirmed
Total	**100.0**	**245.0**	

**Instrument details are provided in Annexure-I*

Rationale

For arriving at the ratings, ICRA has taken a consolidated view of Invenire Petrodyne Limited (IPL/the company), its subsidiary Dian Energy B.V. and its step-down subsidiaries –Merangin B.V. and Svetah Energy Infrastructure FZE (Svetah) –due to the management, financial and operational linkages among the entities.

The reaffirmation of the ratings factor in the moderate experience and track record of the company in the oil exploration and Production (E&P) space. The company and its holding company Invenire Energy Private Limited (IEPL) has oil and gas assets located in South Asia and South-East Asia and have been operating these assets for close to two decades. Additionally, the Invenire group is managed by an experienced management which has extensive experience in the oil and gas sector. The ratings also factor in the upside from the recommencement of the production of crude oil from the PY-3 field which had ceased production in the year 2011. While the production commencement is slightly delayed due to unavailability of the certain ancillary equipment, with availability of all the equipment, the field is expected to start production from October 2024. The recommencement of production will favorably impact the overall cash generation for IPL. The Floating Production Storage and Offload (FPSO) unit under Svetah has also reached the Indian waters and is docked at the Ennore Port, Chennai and once the PY-3 field is ready it will be deployed in the field. The deployment of the FPSO has been delayed due to delays on account of availability of other ancillary vessels which will facilitate laying down of the flow lines and umbilicals in the PY-3 field. While the deployment was delayed, the PY-3 consortium members, IPL and Hardy Exploration & Production (India) Inc (HEPI) have been paying the eligible day rates to the FPSO owning entity i.e. Svetah. The same has enabled Svetah to service its debt obligations towards the external lenders.

The ratings are however constrained by the execution risk pertaining to the Discovered Small Fields (DSF) awarded to the company in September 2022. Additionally, the operations of the company are exposed to the geological risks and commodity price risks in its operations. The ratings are also constrained by the operational and financial risk pertaining to the FPSO as the company has limited track record of asset ownership and operations. The ratings are also constrained by the regulatory risks associated with the operations of the company as the E&P sector in the country remains highly regulated.

ICRA notes that the company is planning to undertake capex for the DSF fields awarded to it in September 2022. Given the sizeable capex, ICRA expects the credit metrics of the company to moderate going forward. However, the credit profile will be supported by the envisaged support from the promoter entity i.e. Atyant Capital Management Limited (ACML). The healthy cash flows generated by the FPSO and restarting of the production from the PY-3 field should also support the incremental cash generation which will also fund part of the capex and keep the external funding requirements in check.

ICRA also notes that the primary term of the contract for the CB/OS –2 block had expired in June 2023 and IPL along with ONGC and Vedanta has applied for extension by 10 years, having complied with the prerequisites and condition as per the applicable government policy for extension. IPL expects to receive interim approvals until the final approval. The timely recommencement of production in the PY-3 block, unhindered production in the CB/OS –2 blocks until final approval and the timely operationalisation of the DSF III blocks will be the key monitorables.

Key rating drivers and their description

Credit strengths

Moderate experience and track record in E&P business – The parent, IEPL, has upstream oil and gas assets in South Asia and South-East Asia. The management has extensive experience of over two decades in the oil and gas upstream and midstream industry.

Upside from expected recommencement of production in PY-3 field – The production from the PY-3 field had ceased in 2011 due to commercial and procedural challenges faced by the consortium. Further, delays were faced in implementing the approved revised field development plan due to disagreements among the consortium players. While majority of the hurdles were resolved and the FPSO procured by Svetah Energy Infrastructure FZE is being deployed in the PY-3 field for recommencing production. While earlier the production was expected to restart in March 2024, the same has been delayed to October 2024. Svetah has entered into an agreement with HEPI (the operator for the PY-3 field) for charter hire of the FPSO. The agreement has been approved by other consortium players and the GoI. The cash accrual from this field will support planned capex in PY-3 and other fields. The timely commencement of the production from the PY-3 field will remain a key monitorable going forward.

Credit challenges

Execution risk for capex to be incurred for DSF fields – The development of the DSF fields would entail a sizeable capex going forward which will be funded using a mix of promoter loan, bank loan and internal accruals. Further, the significant size of the project compared to the existing E&P asset portfolio exposes IPL to project execution risk. As the fields are under development, the company's credit profile will remain exposed to the level of actual production and the time and cost overruns.

Operational and financial risk for FPSO unit, given the lack of track record in asset ownership and operations – The IPL Group doesn't have prior experience in owning and operating an FPSO unit. While the daily operations are to be handled by an experienced contractor, it still remains exposed to operational risks. Further, timely payments from the consortium will be crucial for regular debt servicing of the FPSO unit. However, the risk is partly mitigated by healthy counterparty risk profile with ONGC holding majority participating interest in the PY-3 field. While the deployment for the FPSO has been delayed, the day rates for the FPSO have been paid by the consortium to the extent of IPL and HEPI's share which has enabled Svetah to service the debt obligations.

Vulnerability of profitability to geological risk and commodity price volatility – The company's operations are exposed to the volatility in crude oil prices and the risk is aggravated by the relatively small scale of IPL's operations. Additionally, an upstream company is exposed to geological risks inherent in E&P activities.

Regulatory risks – The upstream oil & gas sector requires several government approvals. IPL operates in multi geographies, which exposes it to regulatory risks associated with the respective governments.

Liquidity position: Adequate

The liquidity position of the company is expected to remain adequate supported by free cash of Rs. 56.1 crore as on March 31, 2024, and expectation of healthy cash accruals which should be adequate to meet the near-term debt repayments pertaining to the loans taken by IPL (standalone) and Svetah Energy Infrastructure FZE Limited. The company's capex plans in FY2025 will be funded by the mix of internal accruals, term loans and loans from the promoter entity supported by the fund infusion from Atyant Capital Management Limited (ACML). ICRA notes that the company has plans to incur significant capex for the DSF fields over the course of next few years. Going forward the timely completion of the funding tie-ups with lenders and timely infusion of funds by the promoters will remain key drivers of the liquidity position of the company.

Rating sensitivities

Positive factors – The ratings could be upgraded if there is an increase in the scale of reserves, leading to higher production and improved reserve metrics, such as reserve replacement ratio (RRR) and reserve life index (RLI)), thereby scaling up the operations. An increase in the profit margin, driven by an improved cost structure, will also be critical for an upgrade.

Negative factors – The ratings could be downgraded if there is a significant decline in crude oil prices, production volumes and profitability, leading to lower-than-anticipated cash accruals, or if a higher-than-expected debt-funded capex leads to a deterioration in the debt coverage metrics. Any pressure on liquidity due to the support extended to group companies or any significant investment can also exert pressure on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Oil Exploration & Production
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings of Invenire Petrodyne Limited (IPL), the analysts have factored in a consolidated view of IPL, its subsidiary Dian Energy BV and its step down subsidiary Svetah Energy Infrastructure FZE given the strong operational and financial linkages amongst the entities

About the company:

Invenire Petrodyne Limited (formerly Tata Petrodyne Limited), incorporated in 1993, is engaged in the exploration and production (E&P) of oil and gas. As an E&P company, IPL's business model is based on holding operating and non-operating participating interest in various oil and gas blocks in a consortium with reputed global and Indian E&P companies. At present, IPL holds interests in six oil and gas blocks in India, while its wholly-owned subsidiary viz. Dian Energy B.V. through a step-down subsidiary, Merangin B.V. all based in Netherlands, holds interest in one oil and gas block in Indonesia. Of these, three are producing blocks, viz. PY-3 (26.58% PI) and CB-OS-2 (10% PI) in India and Merangin (35.4% PI) in Indonesia. The recently awarded DSF[1] III blocks namely B66, B154, B2023 (100% PI) are expected to commence production in FY2027. Further, the company has also been awarded a CBM block SP-ONHP(CBM)-2021/1, located in Satpura Basin, Madhya Pradesh where the company will be shortly drilling test wells and core wells.

Key financial indicators

IPL Consolidated	FY2023	FY2024
Operating income	356.3	370.3
PAT	95.7	122.8
OPBDIT/OI (%)	53.5%	50.5%
PAT/OI (%)	26.9%	33.2%
Total outside liabilities/Tangible net worth (times)	0.9	1.0
Total debt/OPBDIT (times)	1.2	2.0
Interest coverage (times)	7.1	7.0

Source: Company, ICRA Research; All ratios are as per ICRA's calculations; Amount in Rs. Crore.

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating history for past three years:

	Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022
				5-Sep-24	15-Nov-23	31-Oct-23	30-Sep-22	22-Jun-21
1	**Term loans**	Long term	9.70	**[ICRA]A- (Stable)**	**[ICRA]A- (Stable)**	**[ICRA]A- (Stable)**	-	-
2	**Fund-based cash credit**	Long term	16.00	**[ICRA]A- (Stable)**	**[ICRA]A- (Stable)**	**[ICRA]A- (Stable)**	-	-
3	**Unallocated**	Long term and short term	2.30	**[ICRA]A- (Stable)/ [ICRA]A2+**	**[ICRA]A- (Stable)/ [ICRA]A2+**	**[ICRA]A- (Stable)/ [ICRA]A2+**	-	-
4	**Overdraft**	Short Term	0.10	**[ICRA]A2+**	**[ICRA]A2+**	-	-	-
5	**Unallocated**	Long term	0.00		-	-	**[ICRA]A (Stable)**	**[ICRA]A (Stable)**
6	**Unallocated**	Short Term	0.00		-	-	**[ICRA]A1**	**[ICRA]A1**
7	**Non-fund based limits**	Long term	216.90	**[ICRA]A- (Stable)**	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term / short term-unallocated	Not Applicable
Long term-term loan-fund based	Simple
Long term-cash credit-fund based	Simple
Long term-bank guarantee-non fund based	Very Simple

Short term-overdraft-fund based	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA’s website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance/Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term / short term-unallocated	**NA**	**NA**	**NA**	2.30	**[ICRA]A- (Stable)/[ICRA]A2+**
NA	Long term-term loan-fund based	**FY2024**	**NA**	**FY2026**	9.70	**[ICRA]A- (Stable)**
NA	Long term-cash credit-fund based	**NA**	**NA**	**NA**	16.00	**[ICRA]A- (Stable)**
NA	Long term-bank guarantee-non fund based	**NA**	**NA**	**NA**	216.90	**[ICRA]A- (Stable)**
NA	Short term-overdraft-fund based	**NA**	**NA**	**NA**	0.10	**[ICRA]A2+**

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Invenire Petrodyne Limited	100.00% (Self)	Full Consolidation
Dian Energy B.V.*	100.00%	Full Consolidation

*Source: Company annual report FY2024; *Svetah Energy Infrastructure FZE is a wholly-owned subsidiary of Dian Energy B.V.*

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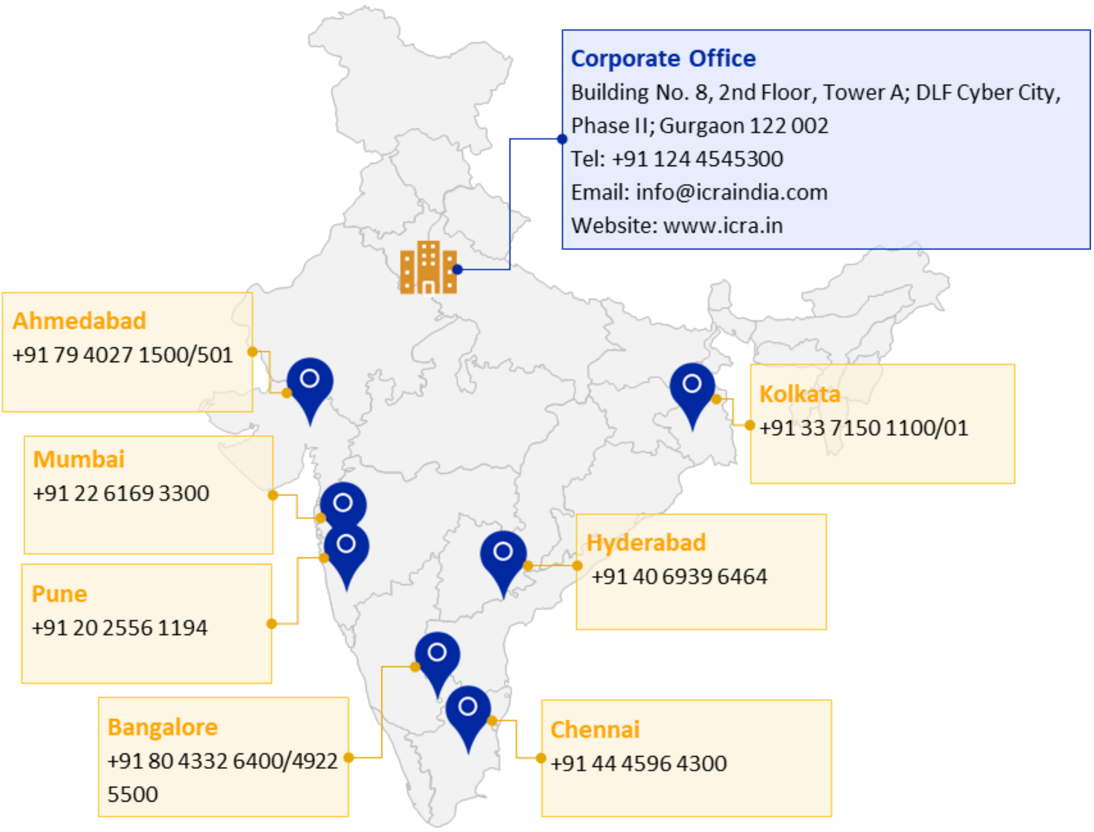

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